

## Minerals Management Service, Interior

## § 203.71

the field or development project economic.

(e) For expansion projects, the minimum royalty suspension volume equals 10 percent of the median of the distribution of known recoverable resources upon which we based approval of your application from all reservoirs included in your project plus any suspension volumes required under § 203.66. If we determine that your expansion project may be economic only with more relief, we will determine and grant you the royalty suspension volume necessary to make the project economic.

(f) The royalty suspension volume applicable to specific leases will continue

through the end of the month in which cumulative production reaches that volume. You must calculate cumulative production from all the leases in the authorized field or project that are entitled to share the royalty suspension volume.

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1876, Jan. 15, 2002]

### § 203.70 What information must I provide after MMS approves relief?

You must submit reports to us as indicated in the following table. Sections 203.81, 203.90, and 203.91 describe what these reports must include. The MMS regional office for the GOM will prescribe the formats.

Required report	When due to MMS	Due date extensions
(a) Fabricator's confirmation report .....	Within 18 months after approval of relief	MMS Director may grant you an extension under § 203.79(c) for up to 6 months.
(b) Post-production report .....	Within 120 days after the start of production that is subject to the approved royalty suspension volume.	With acceptable justification from you, MMS Regional Director for the GOM may extend due date up to 30 days.

[67 FR 1876, Jan. 15, 2002]

### § 203.71 How does MMS allocate a field's suspension volume between my lease and other leases on my field?

The allocation depends on when production occurs, when we issued the lease, when we assigned it to the field, and whether we award the volume suspension by an approved application or establish it in the lease terms, as prescribed in this section.

(a) If your authorized field has an approved royalty suspension volume under §§ 203.67 and 203.69, we will suspend payment of royalties on production from all leases in the field that participate in the application until their cumulative production equals the approved volume. The following conditions also apply:

If . . .	Then . . .	And . . .
(1) We assign an eligible lease to your field after we approve relief.	We will not change your field's royalty suspension volume.	The assigned lease(s) may share in any remaining royalty relief.
(2) We assign a pre-Act or post-November 2000 deep water lease to your field after we approve your application.	We will not change your field's royalty suspension volume.	The assigned lease(s) may share in any remaining royalty relief by filing the short-form application specified in § 203.83 and authorized in § 203.82. An assigned RS lease also gets any portion of its royalty suspension volume remaining even after the field has produced the approved relief volume.

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If . . .	Then . . .	And . . .
(3) We assign another lease(s) that you operate to your field while we are evaluating your application.	We will change your field's minimum suspension volume if the assigned lease is a pre-Act or eligible lease entitled to a larger minimum or automatic suspension volume.	(i) You toll the time period for evaluation until you modify your application to be consistent with the new field; (ii) We have an additional 60 days to review the new information; and (iii) The assigned lease(s) shares the royalty suspension we grant to the new field. If you do not agree to toll, we will have to reject your application due to incomplete information. But, an eligible lease we assigned to the field kept its automatic suspension volume.
(4) We assign another operator's lease to your field while we are evaluating your application.	We will change your field's minimum suspension volume provided the assigned lease joins the application and is entitled to a larger minimum suspension volume.	(i) You both toll the time period for evaluation until both of you modify your application to be consistent with the new field; (ii) We have an additional 60 days to review the new information; and (iii) The assigned lease(s) shares the royalty suspension we grant to the new field. If you (the original applicant) do not agree to toll, the other operator's lease retains any suspension volume it has or may share in any relief that we grant by filing the short form application specified in § 203.83 and authorized in § 203.82.
(5) We reassign a well on a pre-Act, eligible, or post-November 2000 deep water lease to another field.	The past production from the well counts toward the royalty suspension volume of the field to which we assigned the well.	The past production from that well will not count toward any royalty suspension volume granted to the field from which we reassigned it.

(b) If your authorized field has a royalty suspension volume established under § 260.111 of this title (*i.e.*, a field with a pre-Act lease where an eligible lease starts production first), we will

suspend payment of royalties on production from all eligible leases in the field until their cumulative production equals the established volume. The following conditions also apply:

If . . .	Then . . .	And . . .
(1) We assign another eligible lease to your field. (2) We assign an RS lease to your field	Your field's royalty suspension volume does not change. Your field's royalty suspension volume does not change.	The assigned lease may share in any remaining royalty relief. The assigned lease gets only the volume suspension with which we issued it, and its production volume counts against the field's royalty suspension volume.
(3) We assign a pre-Act lease or a lease issued after November 2000 without royalty suspension to your field.	Your field's royalty suspension volume does not change.	We assign lease shares none of the volume suspension, and its production does not count as part of the suspension volume.
(4) A pre-Act or post-November 2000 deep water lease applies (along with the other leases in the field) and qualifies (subject to any pre-existing suspension volumes) for royalty relief under §§ 203.67 and 203.69.	Your field's royalty suspension volume may increase or stay the same, but will not diminish.	(i) All leases in the field share the royalty suspension volume if we approve the application; or (ii) The eligible or RS leases in the field keep their respective volumes if we reject the application.

(c) When a project has more than one lease, the royalty suspension volume for each lease equals that lease's actual production from the project (or production allocated under an approved unit agreement) until total production for all leases in the project equals the

project's approved royalty suspension volume.

(d) You may receive a royalty-suspension volume only if your entire lease is west of 87 degrees, 30 minutes West longitude. If the field lies on both

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sides of this meridian, only leases located entirely west of the meridian will receive a royalty-suspension volume.

[63 FR 2618, Jan. 16, 1998, as amended at 67 FR 1877, Jan. 15, 2002]

### **§ 203.72 Can my lease receive more than one suspension volume?**

Yes. You may apply for royalty relief that involves more than one suspension volume under § 203.62 in two circumstances.

(a) Each field that includes your lease may receive a separate royalty-suspension volume, if it meets the evaluation criteria of § 203.67.

(b) An expansion project on your lease may receive a separate royalty-suspension volume, even if we have already granted a royalty-suspension volume to the field that encompasses the project. But the reserves associated with the project must not have been part of our original determination, and the project must meet the evaluation criteria of § 203.67.

### **§ 203.73 How do suspension volumes apply to natural gas?**

You must measure natural gas production under the royalty-suspension volume as follows: 5.62 thousand cubic feet of natural gas, measured in accordance with 30 CFR part 250, subpart L, equals one barrel of oil equivalent.

### **§ 203.74 When will MMS reconsider its determination?**

You may request a redetermination after we withdraw approval or after you renounce royalty relief, unless we withdraw approval due to your providing false or intentionally inaccurate information. Under certain conditions you may also request a redetermination if we deny your application or if you want your approved royalty suspension volume to change. In these instances, to be eligible for a redetermination, at least one of the following four conditions must occur.

(a) You have significant new G&G data and you previously have not either requested a redetermination or re-applied for relief after we withdrew approval or you relinquished royalty relief. "Significant" means that the new G&G data:

(1) Results from drilling new wells or getting new three-dimensional seismic data and information (but not reinterpreting old data);

(2) Did not exist at the time of the earlier application; and

(3) Changes your estimates of gross resource size, quality, or projected flow rates enough to materially affect the results of our earlier determination.

(b) You demonstrate in your new application that the technology that most efficiently develops this field or lease was not considered or deemed feasible in the original application. Your newly proposed technology must improve the profitability, under equivalent market conditions, of the field or lease relative to the development system proposed in the prior application.

(c) Your current reference price decreases by more than 25 percent from your base reference price as calculated under this paragraph.

(1) Your current reference price is a weighted-average of daily closing prices on the NYMEX for light sweet crude oil and natural gas over the most recent full 12 calendar months;

(2) Your base reference price is a weighted average of daily closing prices on the NYMEX for light sweet crude oil and natural gas for the full 12 calendar months preceding the date of your most recently approved application for this royalty relief; and

(3) The weighting factors are the proportions of the total production volume (in BOE) for oil and gas associated with the most likely scenario (identified in §§ 203.85 and 203.88) from your most recently approved application for this royalty relief.

(d) Before starting to build your development and production system, you have revised your estimated development costs, and they are more than 120 percent of the eligible development costs associated with the most likely scenario from your most recently approved application for this royalty relief.

[63 FR 2618, Jan. 16, 1998; 63 FR 24747, May 5, 1998, as amended at 67 FR 1878, Jan. 15, 2002]

### **§ 203.75 What risk do I run if I request a redetermination?**

If you request a redetermination after we have granted you a suspension